

ADMINISTRATION AND FINANCE COMMITTEE

DATE: June 13, 2006

CALLED TO ORDER: 5:04 p.m.

ADJOURNED: 6:47 p.m.

ATTENDANCE

Attending Members

Joanne Sanders, Chair
Vernon Brown
Jackie Nytes
Lincoln Plowman
Steve Talley

Absent Members

Lynn McWhirter
Lance Langsford

AGENDA

PROPOSAL NO. 275, 2006 - approves an increase of \$1,100,000 in the 2006 budget of the Marion County Treasurer (County General Fund) for the expected investment interest expense that will exceed the current appropriations (The increased investment activity of the Treasurer will lead to increased investment revenue to offset the additional investment interest expense)

“Do Pass”

Vote 5-0

PROPOSAL NO. 362, 2006 - appoints Marilyn Pfisterer to the City-County Internal Audit Committee

“Do Pass”

Vote 4-0

Update of compensation study and salary scales – presented by Earl Morgan

Update on the purchase of a new property system – presented by Paul Ricketts

Update on contract with Tax Management Associates (TMA) Auditing Services – presented by Paul Ricketts

ADMINISTRATION AND FINANCE COMMITTEE

The Administration and Finance Committee of the City-County Council met on Tuesday, June 13, 2006. Chair Joanne Sanders called the meeting to order at 5:04 p.m., with the following members present: Vernon Brown, Jackie Nytes, and Lincoln Plowman. Steve Talley arrived shortly thereafter. Absent were Lance Langsford and Lynn McWhirter.

PROPOSAL NO. 275, 2006 - approves an increase of \$1,100,000 in the 2006 budget of the Marion County Treasurer (County General Fund) for the expected investment interest expense that will exceed the current appropriations (The increased investment activity of the Treasurer will lead to increased investment revenue to offset the additional investment interest expense)

Michael Rodman, County Treasurer, said that the Treasurer's Office did not put enough money into the budget last year to cover the interest expense. In previous years, the interest expense had been in the Auditor's budget, and it has now been shifted to the Treasurer's Office. He said at the end of June, the Treasurer's Office has to pay \$726,000 in interest, but \$1.1 million is needed to cover the projected expenses for the rest of the year. Mr. Rodman said that Thomas Creasser, Chief Deputy Treasurer, has been very aggressive with investing, and the Treasurer's Office has already exceeded the yearly total that was budgeted for interest revenue. He said he expects to more than double the projected interest revenue by November.

Councillor Nytes asked if the interest expense is due to temporary borrowing to pay bills property revenue is received. Mr. Rodman answered in the affirmative.

Chair Sanders asked, with regard to the anticipation of exceeding the projected interest revenue, what amount of money has been generated up to this point. Mr. Rodman said that he believes that the Treasurer's Office is about \$7,000,000 over their budgeted amount. Chair Sanders asked if the exceeding amount would go back into the General Fund. Mr. Rodman answered in the affirmative.

[Clerk's note: Councillor Talley arrived at this time 5:10 p.m.]

Councillor Nytes asked why the projected cash balance is not available to be included in the proposal. Kim Diller, Office of Finance and Management, said that the Auditor's Office has not yet reconciled the general ledger to their cash book; therefore, an accurate statement cannot be given. However, it is known that the revenue far exceeds the amount of the interest expense so the cash will be able to cover the expense. She said that the interest expense is not an optional expense; it must be paid. Councillor Nytes asked if it is known when the cash balance will be available. Ms. Diller said that she is unsure of when it will be available. Chair Sanders said it is her understanding that Robert Clifford, City Controller, is working daily to make that information available, and it will hopefully be available before July 1, 2006.

Councillor Talley moved, seconded by Councillor Nytes, to forward Proposal No. 275, 2006 to the full Council with a “Do Pass” recommendation. The motion carried by a vote of 5-0.

PROPOSAL NO. 362, 2006 - appoints Marilyn Pfisterer to the City-County Internal Audit Committee

Councillor Pfisterer said that she has a background in numbers, as she served as Controller for the Secretary of State’s Office for six and a half years. As such, she was in charge of the budget with a number of different accounting tasks. She said that she learned a little about state government and thought that she could bring that expertise to this position on the Internal Audit Committee, while also learning some additional things.

Councillor Brown asked what the Internal Audit Committee does. Councillor Nytes said that Councillor Pfisterer is being added to this committee as an expansion effort in response to the merger between city and county government. The committee wanted to be able to have the authority and representation to address county, as well as city, issues. She said that the committee does spot internal audits of different agencies and programs throughout the City and the County, and it audits the financial reporting for the City and the County. The Audit Committee meets with staff and outside auditing firms and is involved in questioning, interviewing, and reviewing their work. Councillor Talley added that the committee performs fiscal and performance audits and makes recommendations to change some processes in departments or agencies.

Councillor Talley moved, seconded by Councillor Brown, to forward Proposal 362, 2006 to the full Council with a “Do Pass” recommendation. The motion carried by a vote of 4-0.

[Clerk’s note: Councillor Plowman was out of the room during this vote.]

Update of compensation study and salary scales – presented by Earl Morgan

Earl Morgan, Director, Department of Administration (DOA), said upon passage of Ordinance 221-201 of the Revised Code of the Consolidated City and County, the Human Resources Department was directed to do a number of things as it relates to the consolidation of Human Resource efforts. Part of that focus was applied to compensation and the establishment of rules for a more uniform system of job descriptions, job classifications, salary ranges and schedules. He said that the staff has put in a lot of hours to determine what makes sense and has collaborated with county agencies and partners to ensure that all aspects have been examined. Mr. Morgan said that Collin Kebo, Human Resources Administrator, will present the findings and recommendation that came as a result of the process. He said that they are working with the Office of Finance and Management to determine costs and what can be done versus what cannot be done.

Mr. Kebo said that there are differences between the City's and County's compensation program. The City has 16 pay grades, and the County has 21. There are different job classification systems. The DOA looked at consolidating to come up with one uniform compensation program. Mr. Kebo's presentation (attached as Exhibit A) includes the following key points:

- A compensation task force was put together with representation from the City and the County.
- An outside consultant with expertise in the private and public sectors provided guidance.
- The task force reviewed all of the civilian jobs for both the City and the County, and the Sheriff and Prosecutor's Office also asked to be included.
- The courts were included in the preliminary part of the study, but then decided that they wanted to establish their own separate salary structure.
- The study required the review of approximately 800 total jobs, of which the county has approximately 450 job descriptions.
- The descriptions were reviewed and ranked from high to low using the new uniform job classification system.
- The factors used in the job evaluation process include: knowledge and skill, leadership, problem complexity, scope and effect, contacts, and work conditions.
- The study was to ensure that jobs that performed the same duties would be classified in the same pay grade.
- The preliminary job classification results were then reviewed with the County agencies to ensure the job rankings were in the proper relationship. Findings and recommendations include:
 - Approximately 52 paralegals in the Public Defender's and Prosecutors' Office were found to have internal inequities.
 - Twenty two clerk typists, 26 secretaries, and 52 building deputies in the Sheriff's Department were also found to have internal inequities.
 - It is proposed that a modified version of the city's salary structure be adopted to expand the number of grades from 16 to 19 in order to better reflect the variances in the job content and number of county and city jobs, and provide the least negative impact on employees.
 - Based on the preliminary new proposed 19 pay grades, there are approximately 200 out of 800 civilian employees who fall below the minimum of their salary range grades. The cost to adjust this inequity is believed to be about \$347,000.
 - About 50 employees fall below the new proposed Grade 1, which pays a minimum of \$18,810, and would cost approximately \$42,000 to adjust.
 - Data reflecting that over 75% of county agencies are on the 75-hour work schedule was sent to the Office of Finance and Management for their review and analysis.
- The study has not been finalized and Human Resources and DOA are working with the Office of Finance and Management to review the full cost impact of these proposed salary ranges.

- Work is also being done with certain agencies and city departments to fine tune job classifications for certain jobs where job responsibilities have changed.

Chair Sanders asked if there is a possibility of decreasing the 800 job classifications. Mr. Kebo answered in the affirmative and stated that part of the process was to narrow down jobs that have multiple levels. This will continue to be evaluated.

Councillor Brown asked why the courts opted out of the classification system. Mr. Kebo said that the changes did not fit their jobs and their needs. Councillor Brown asked if the courts can do their own job descriptions and pay scales. Mr. Kebo answered in the affirmative and stated that the courts currently have their own salary structure. Mr. Morgan said that the courts were not originally included in the consolidation ordinance. Councillor Brown asked if the courts' salary scales and job classifications are turned over to the Human Resources Department. Mr. Morgan said that it would be difficult to determine what the courts' end product will be as a result of them doing their own assessments. Councillor Brown asked if there are any plans to add increases in pay for civilian employees, seeing that there have not been any pay raises in three years. Mr. Morgan said that this information will come from the Controller's Office.

Councillor Talley said that the courts opted out because they are a judicial branch. He said that though the employees have not received pay raises, the City did pick up a bigger portion of the health insurance.

Councillor Nytes said that the courts probably have employees comparable to other civilian employees and asked if Human Resources could possibly design a salary schedule that could accommodate the courts' positions. Mr. Kebo answered in the affirmative and said that a separate salary structure could also be adopted for the courts' jobs. Councillor Nytes said that if the new system works, it would be good to continue talking with the courts about being included. Councillor Nytes asked if this is the year that one salary schedule will be brought to the Council for the budget. Mr. Morgan said that they are aiming for that but he does not have a definite answer. Councillor Nytes asked how these pay grades for civilian, non-union employees compare to those of union employees. Mr. Morgan said that he does not have that information, but he will obtain it and provide it to the Committee.

Chair Sanders asked if the positions within the Clerk's Office were included in the salary review. Mr. Kebo answered in the affirmative.

Councillor Plowman asked who established the Grade 1 amount. Mr. Kebo said that it was initially established through a market analysis when the compensation study was done for the City in 2003. Chair Sanders said that her hope is that all the salary ranges can be examined over time and adjusted for inflation in order to eliminate falling behind the market.

Councillor Brown asked if the courts do their own purchasing, and if their employees use the City's health insurance. Ms. Diller said that she understands that the courts are not

required to use purchasing for anything related to the function of the court, but they are required to use it for things such as supplies or furniture. She said that the courts are on the City's health insurance.

Update on the purchase of a new property system – presented by Paul Ricketts

Paul Ricketts, President, Marion County Township Assessors, said that there are various county offices, along with the City which will be involved in the purchase, particularly the Treasurer and the Auditor. He said that he believes that Marion County is the only county that has a fully integrated property system at this time. The Assessors are in the process of developing a work flow plan that they will be implementing after coming to the Committee to get approval for a contract they are looking over. He said that they are also looking at the different funding mechanisms that are available.

Chair Sanders asked who the technical experts are that are working on the work flow plan. Mr. Ricketts said that they are DAI & Associates and the city's Information Services Agency (ISA). He said that the assessing side will probably be fully implemented by March 2007, as it is the most complete at this time. The company has worked very closely with the Assessors to try to integrate anything that is needed. Different portals have been kept open for city agencies and other county agencies to add information in the future. He said that they are getting closer and closer to trading information and making one system for all departments and agencies.

Mr. Ricketts said that they had hoped to put the Treasurer's and Auditor's parts in, but those are still in the process of being programmed. He said that they are also waiting for the State to issue their standards with regard to the exchange of data and what is expected. The Treasurer's portion will not likely be fully implemented until December 2007, as there is a finite window as to when their operations can be shut down for intense testing. He said that the system has been looked at by the State, but has not been accepted or approved at this point. Approval by the State will be a requirement of the proposed contract. The company developing the system has been very willing to build a system that the City can use, as well as meet the state standards. Mr. Ricketts stated that they ran into a problem the last couple of years because they use excel spreadsheets to keep track of sales disclosure forms. When they submitted these to the State, they were found to be noncompliant because the State uses a text format that was not compatible with the spreadsheets. The total cost is estimated at about \$3.8 million, and two-thirds of that has been identified in different funds, endorsement fees, disclosure funds, and excess Recorder funds. He said that they will also check with the Bond Bank to see if it will be more beneficial to bond the entire amount. He said that there are a lot of reasons that this project has taken so long, but they feel it is necessary. This system is being built for better integration and upgrades in the future. Letters and data have been sent to the State about the process and the City is not in danger of losing its Property Tax Replacement Credit (PTRC). The safety of maintaining the PTRC is expected to be verified in writing from the State by the end of the year.

Mr. Ricketts said that he would like to give the Committee a demonstration on the assessment module portion in the next four to six weeks. He said that trends are currently being examined from 1999 – 2005, and he anticipates an increase in assessed valuation from the trending and a decrease in assessed valuation from the Inventory Tax being eliminated. He is not sure of the effect of the Homestead Credit next year, but a lot of activity may begin once notices are sent out.

Chair Sanders asked if the State is comparing systems from other states. Mr. Ricketts said that the State does not recommend any one system, but sets the reporting standards and has interpreted legislation of “one uniform system” to mean one system where data can be sent to the state in a particular format and the state can interpret it.

Chair Sanders asked when the system for the Auditor’s Office will be available. Mr. Ricketts said that the Auditor’s Office will be up and running and have the capability to put exemptions on in early spring, along with the Assessor’s Office. The Treasurer’s Office will be the last part to add. Mr. Ricketts added that the contract will be over a 33 to 34 month period, with milestones to pay on and monthly fees to pay to it. It has also been set up where it can be paid over two or three budget years. An incentive has also been negotiated to reflect its success for Marion County; therefore, if contracts in other counties are signed with the company, Marion County will receive credit for those contracts. He said that there is potential that the system could eventually cost the City nothing.

Councillor Nytes asked how the Request for Proposal (RFP) was developed, since the State has not issued specific standards. Mr. Ricketts said that the RFP was based on the current manual, standards for input and output, and included the stipulation that whatever the State came up with, the system had to meet it. He said that certain criteria are given standards with regard to assessing property. Councillor Nytes asked how many vendors were examined. Mr. Ricketts said that there were originally six vendors, with three making serious bids. After looking at the Assessors’, the Auditor’s, and the Treasurer’s requirements, Belcan was the only company that met all those requirements and offered to build the system the way the City needed. Councillor Nytes asked if Belcan has other systems operable in Indiana. Mr. Ricketts answered that Belcan does not have any operable in the assessing side, but have Treasurer and Auditor systems running in four or five Indiana counties. He said, however, they have an assessment module system in Kentucky, and assessing property in Kentucky is very similar to assessing property in Indiana. Councillor Nytes asked Mr. Ricketts if he feels confident that the company can deliver what they are offering, even though they do not have the system up and running. Mr. Ricketts said that if the company delivers what is already developed, he is totally satisfied, as it has been watched and tested throughout the entire RFP process.

Chair Sanders asked who was involved in developing and reviewing the responses to the RFPs. Mr. Ricketts said that there was a steering committee of approximately eight or nine people, which included ISA, DAI & Associates, and people from the Auditor’s Office, Recorder’s Office, Treasurer’s Office, and the Assessor’s Office. He said that several presentations were also done by different vendors in Warren Township. He said that the

final decision on the RFP was made by the steering committee, with recommendations by individual subject matter experts.

Chair Sanders asked if all the vendors were comparable in their cost to produce. Mr. Ricketts said that step was not taken with all the vendors; the cost was negotiated once Belcan demonstrated that they could offer more of the services that the city needed.

Councillor Brown asked if the vendors are local or in-state. Mr. Ricketts said that Belcan has an office in Marion County, and Manitron, another vendor that submitted a bid, has an office in Carmel, but none of the vendors have their national headquarters stationed here. He said that he is unaware of any companies that have a national headquarters in Indiana, but the Assessor's Office is requiring a local office and local presence as the process progresses.

Mr. Rodman, said that the Treasurer's Office was promised that their portion would be ready to be tested by December 2006. He was informed three weeks ago that it would not be possible, which has decreased his confidence level. He said that hopefully everything will work out, and he understands that things can go wrong in any software project.

Update on contract with Tax Management Associates (TMA) Auditing Services –
presented by Paul Ricketts

Mr. Rodman distributed a handout (attached as Exhibit B) and Mr. Ricketts distributed a handout (attached as Exhibit C). Mr. Ricketts said that he met with Mr. Rodman earlier today to go over some of the figures in Exhibit C. Mr. Ricketts presented information with the following keypoints:

- The Assessor's Office initially anticipated that the money could be pooled, but it now appears that it is being done by taxing district.
- Some districts have seen an increase in money, and every district that has had an audit benefits from the increase in money because it will be there in future years.
- Properties over \$50,000 or \$150,000 used to be audited by the state, but the state stopped performing that duty some years ago.
- Warren Township has their own auditor that used to work for the state, but he could only cover approximately 25-30 audits per year.
- For efficiency, the Assessors decided to contract with TMA, which currently has not cost the City or the taxpayers any money, but has resulted in two taxing districts' realization of money.
- The money received from auditing is what is used to pay TMA.
- Without TMA, no audits would have been done and no money would have been realized.
- Future goals include funding to bring in hired Certified Public Accountants (CPAs) or public accountants, but there is uncertainty as to the feasibility of coverage for all properties.
- Overall goal is to ensure that the correct assessments are being done.

- More influx of cash in future years is expected.

Exhibit B illustrates:

- Penalties and fines have possibly brought in about \$300,000 to \$400,000 for last year, and that money goes back into the General Fund.
- Approximately \$2.9 million has been paid out to TMA, and they are still owed approximately \$2.7 million.
- Because of the possibility of appeals, the net gain is unknown until payments are actually received and TMA is paid.
- Discoveries of assessed value have resulted in about \$405 million, of which approximately \$112 million in tax flow will be put on the future books based on an average \$3 tax rate.

Chair Sanders asked, with regard to approximately \$5.5 million that has been billed by TMA, what amount of money has been taken in by the City. Mr. Ricketts said that he does not have that information, as it is tracked by the Treasurer's Office. Chair Sanders stated that the speculation, when reviewing the contract, was that the City would collect three times as much as what would be paid to TMA. Mr. Ricketts said that that information was the history that TMA had in other counties, but those counties were pooling their money and paying TMA a percentage. He said that Marion County is paying a particular amount per audit.

Chair Sanders asked if there are taxing districts that owe money to TMA, but do not have the revenue to pay the debt. Mr. Ricketts stated that the districts do not owe TMA because the agreement states that if there is no money was brought in, the City does not have to pay.

Councillor Talley asked if TMA is a local company and who their principals are. Mr. Ricketts said that TMA is a national company located in Charlotte, North Carolina, which has some local representation, as one of the members is the former Center Township Assessor for Muncie, Indiana. He said that their principals consist of two gentlemen who live in Charlotte and who both served as assessors in Charlotte. Mr. Ricketts added that he is unaware of any other company in Indiana that performs this type of auditing service.

Chair Sanders asked if the assessors are looking to incorporate this auditing task into their functions now that the State no longer offers the service. Mr. Ricketts said that the Assessor's Office currently performs audits on properties below \$150,000, but there was a statute that said that the State had to audit anything over that amount. He said that the counties do not have anyone with the expertise to do audits on anything above \$150,000, but they will continue to do the audits that are allowed. Chair Sanders asked if individuals with spare time due to the new property system could be assigned to perform some of the audits. Mr. Ricketts said that it is possible, but it would take a lot of additional training and money for new hires.

Councillor Brown said that Exhibit B shows that TMA has received 80% of the taxpayers' money. He said that if the City was able to collect that money, it would have

gone into the General Fund of those townships. Mr. Ricketts said that if TMA had not done the audits, no funds would have been collected. Councillor Brown asked how many audits were done by TMA in Warren Township. Mr. Ricketts said that he does not have that information because TMA is still in the process of auditing; however, TMA will have completed all the audits in all the townships. Councillor Brown asked if it would have cost as much to do the audits if they had been done internally. Mr. Ricketts said that he is unsure of the exact amount, but many people would be needed to do the audits throughout the county. Councillor Brown asked how many people TMA has performing the audits. Mr. Ricketts said that he does not have that information available, but he will obtain the number of people used by TMA in each township, the amount of money that they were paid, and how many audits were performed and make it available to the Committee. Mr. Ricketts added that though the numbers look as if the City is in the red now, there are some taxing districts that have not paid out all the money to TMA.

Mr. Rodman said that 17% of the money that was collected for the spring went to the governmental units and 83% went to TMA. He said that if the money had been pooled, TMA would have gotten a percentage of everything that was collected and individual units would probably not have received any money. The positive side is that the contract states that no district can pay out more than it collects and the county and districts have received some funds. Mr. Ricketts said that the \$291,000 (shown on Exhibit B) to be paid out to the districts does not include penalties and fines of approximately \$300,000.

Councillor Talley asked if the employees of TMA that performed audits in Warren Township also audited in any other township. Mr. Ricketts said that TMA's auditors audited in all townships. For example, an auditor may have had the task of auditing all of a particular type of store that may have locations in all of the townships.

Councillor Plowman asked if the amount that was collected by each district will be collected each year, or will another audit have to be done for the next year. Mr. Ricketts said that it should be the same for each year, as it will stay on the books. The amounts shown are for the spring billing; therefore, there is a chance that the same amount will come in for the fall billing and there may not be any billing for TMA on those funds.

Councillor Nytes asked if the results can be from businesses in particular townships not accurately reporting their personal property. Mr. Ricketts answered in the affirmative. Councillor Nytes asked if the information is available as to why the townships have large variations in their assessments. Mr. Ricketts said that he will try to obtain that information from TMA. Councillor Nytes asked if assessors give advice or direction to business owners as to how to fill out the personal property returns. Mr. Ricketts said that a copy of Regulation 16 is given, but the assessors cannot tell businesses exactly how to fill out the forms. However, the assessors will work with businesses and provide any information possible or refer businesses to the Department of Local Government Finance.

Councillor Dane Mahern said that he would be interested in finding out how many billable hours were spent on audits within the entire county so that a comparison can be

done to see if it is feasible to train and hire local citizens who are qualified to perform this duty. Mr. Ricketts said that he believes that TMA does employ some local residents, but he will try to obtain the information requested by Councillor Mahern. Mr. Ricketts asked if he could return to the Committee at a later time to present some of the additional information requested. Chair Sanders answered in the affirmative.

CONCLUSION

With no further business pending, and upon motion duly made, the Administration and Finance Committee of the City-County Council was adjourned at 6:47 p.m.

Respectfully submitted,

Joanne Sanders, Chair
Administration and Finance Committee

JS/nsm